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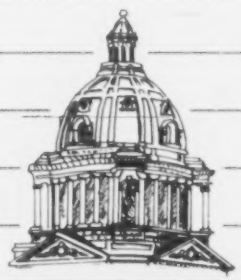
South Dakota

Department of Revenue



Annual Report FY 1987

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Publications

Sales, Use, and Excise Taxes Publications
A Guide to Sales and Use Tax
Municipal Tax Information Bulletin
Realty Improvement Contractors' Excise Tax

Motor Fuel Taxes Publications
Diesel Fuel and Liquid Petroleum Gas
Interstate Fuel Use and Tax Information
Motor Fuel Dealer Requirements
Requirements for a Special Fuel Distribution License
SD Requirements for Alcohol Producers
Special Fuel Dealer Information

Tax Refunds Publications
Tax Refund Information (Elderly and Disabled)
Motor Fuel Gas Tax Refund Claim Instructions

Property Tax Publications
SD Assessment and Sales Information
General Information for Taxpayers and Equalization Boards

Alcoholic Beverage Tax Publication
New Minimum Drinking Age Information

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Secretary's Report

November, 1987

To the Governor, Legislature, and People of South Dakota:

The business of collecting taxes for the support of state and local governments is accomplished daily by a team of professionals without much fanfare. In South Dakota, we do that business as efficiently as any state in the nation, and our cost per dollar of revenue collected is extremely low given our sparse population and the distances between our cities. We, as South Dakotans, can be proud of that efficiency.

The accounting and reporting for the diversity of funds and sources is often a tedious undertaking. With this issue of South Dakota's Annual Report, we hope to make more readable and understandable the status of the collections for our state and its cities and counties. The lists and columns of figures are aided by graphics and a format designed to assist those seeking information on a specific topic.

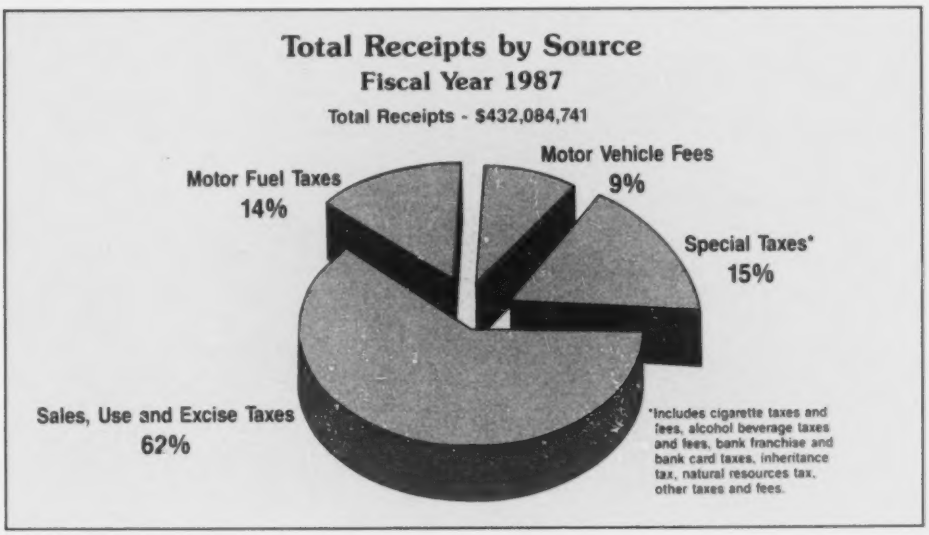
We pledge to continue to improve this report even more in the coming year.

Sincerely,

Ron Schreiner
Secretary of Revenue

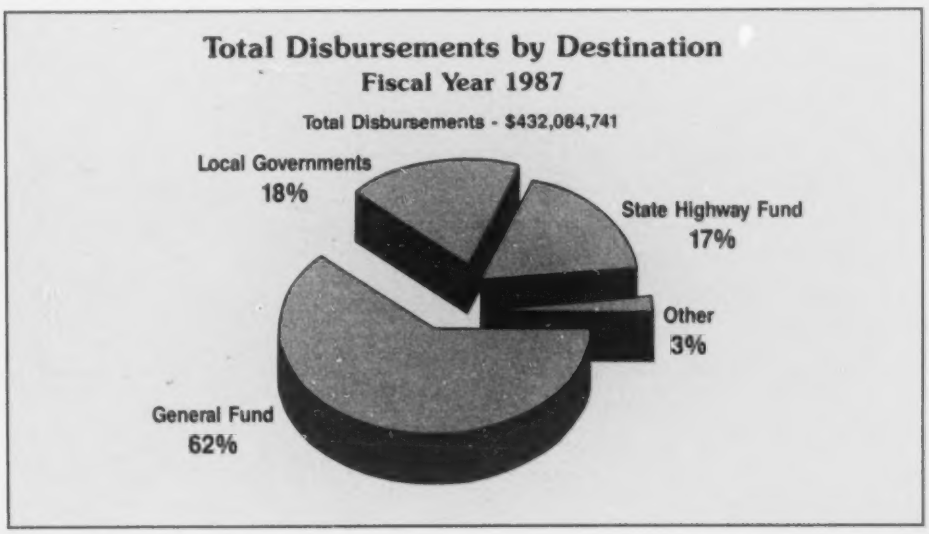
Department of Revenue Taxes: Their Collection and Distribution

The South Dakota Department of Revenue is the principal agency of tax administration for the State of South Dakota and for certain local government taxes. For the fiscal year ending June 30, 1987, taxes collected by the Department amounted to over $432 million. A breakdown of total receipts collected and administered by the Department is shown in the chart below.


Total Receipts by Source
Fiscal Year 1987
Total Receipts - $432,084,741
Motor Vehicle Fees
9%
Motor Fuel Taxes
14%
Special Taxes*
15%
Sales, Use and Excise Taxes
62%
*Includes cigarette taxes and fees, alcohol beverage taxes and fees, bank franchise and bank card taxes, inheritance tax, natural resources tax, other taxes and fees.

The Department of Revenue collected over $432 million during fiscal year 1987.

The primary recipient of the Department's collections is the State General Fund. A substantial sum of money collected by the Department of Revenue flows back to local communities each year. During fiscal year 1987, over 18% of the revenue collected by the Department was sent directly back to local communities. The chart below shows how the money that the department collects is distributed.



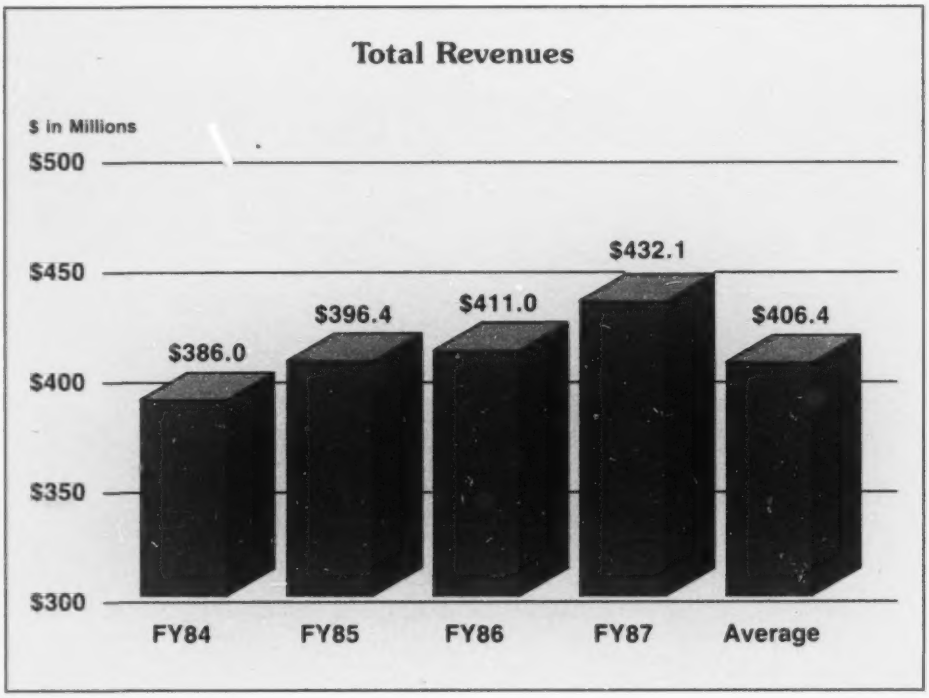
The State General Fund received almost 62% of the Department's total collections.

An Overview of Tax Revenues

Total revenues collected by the Department from taxes and fees in fiscal year 1987 totaled $432,084,741. The major source of revenue has been and continues to be the sales, use and excise taxes. Other major sources include motor fuel dealers tax, motor vehicle fees, and the bank card and bank franchise taxes.

Summary of taxes administered by the Department of Revenue.

Total collections by the Department over the last four years.



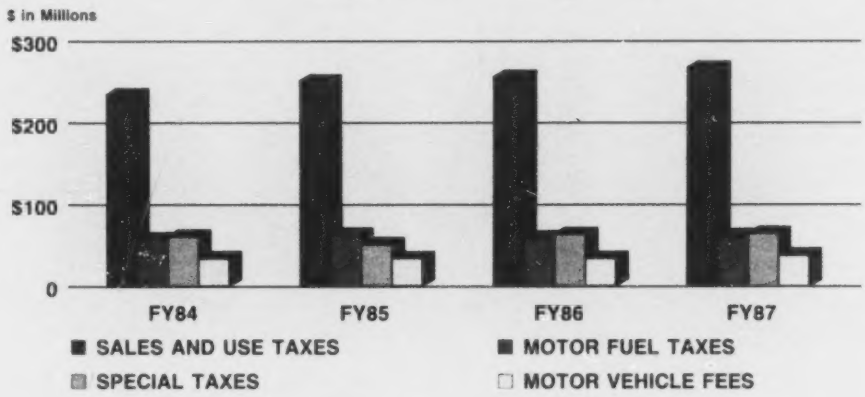
Total receipts by the Department of Revenue increased by over $21 million in fiscal year 1987 compared to fiscal year 1986.

Fiscal Year	Amount of Revenue	Percent of Change
1984	$386,038,632	14.28%
1985	$396,371,996	2.68%
1986	$410,981,487	3.69%
1987	$432,084,741	5.13%

The taxes the Department of Revenue administers and collects are divided into four broad categories: sales, use and excise taxes; motor vehicle fees; motor fuels; and special taxes such as bank franchise, cigarette tax, alcohol tax, ore tax, etc.

The amount each category contributes to total revenues varies from year to year. For example, in fiscal year 1986, motor vehicle fees made up 5.6% of the total, whereas in fiscal year 1987 the percentage increased to 8.8%.

Total Revenues by Category



Revenues by tax category: sales, use and excise taxes; motor vehicle fees; motor fuel taxes; and special taxes.

Three of the four categories show an increase in revenues in fiscal year 1987 over fiscal year 1986.

Total Receipts

Fiscal Year	Sales, Use, and Excise Taxes	Motor Vehicle Fees	Motor Fuel Taxes	Special Taxes
1984	$234,558,724	$34,373,587	$56,666,943	$60,439,378
1985	250,222,746	34,262,160	61,147,132	50,739,958
1986	251,675,937	34,746,443	59,908,250	64,650,857
1987	267,433,572	38,056,777	60,453,457	66,140,935

Sales, use, and excise taxes make up almost 62% of the Department's total receipts.

An Overview/*continued*

Listing of the taxes administered by the Department of Revenue.

Each tax category (sales, motor fuel, special taxes, and motor vehicle fees) contains individual types of taxes. These taxes are applied to different situations and may have varying rates. The following lists each tax, a brief description of the tax, location of the legislative authority in South Dakota codified law, and the tax rate or base for calculation.

TAX	DESCRIPTION
Alcohol Beverage Brand Registration Fee	Malt and Cereal Beverages and Wines; Alcoholic Cordials, Liqueurs, Cocktails, etc.; Distilled Spirits, Whiskeys, Gin, Rum, Brandy, Vodka, etc. Imposed on all brand labels requested to be registered and offered for sale by distillers, manufacturers, vintners and breweries importing products into the state. (Authority: SDCL 39-13-3) (Rate Base: 1st Label: $25.00, $50.00, $100.00; 2nd Label: $10.00, $15.00, $25.00)
Alcoholic Beverage 2% Purchase Price Tax	Imposed on all distilled spirits and wines imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-6.1) (Rate Base: 2% of the purchase price paid for alcoholic beverages)
Amusement Machine Registration	Imposed on all mechanical or electronic amusement devices offered to the public for use. Any device used exclusively at a fair may be registered for 30 days by paying a fee of $3.00. Devices manufactured before 1940 are exempt from the fee. (Authority: SDCL 10-58) (Rate Base: $12.00 per machine; $3.00 per machine, temporary)
Bank Franchise Tax	Imposed on all Banks and Financial Corporations, Small Loan Companies and Savings and Loan Companies on their net annual earnings in lieu of local and state personal property taxes. (Authority: SDCL 10-43-2, 3, 4) (Rate Base: 6% or $200.00 minimum)
Cigarette Excise Tax	Imposed on all packs of 20 cigarettes; stamps or impressions applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-5-3) (Rate Base: 23 cents cigarette stamps and impressions)
Cigarette Excise Tax	Imposed on all packs of 25 cigarettes which are applied by the cigarette distributor prior to any sale to retailers for resale. (Authority: SDCL 10-5-3) (Rate Base: 29 cents cigarette stamps and impressions)
Cigarette License Fee	Imposed on all applicants requesting a cigarette wholesaler's or distributor's license, such licenses are required prior to the purchase and affixing of cigarette stamps and meter impressions. (Authority: SDCL 10-50-9) (Rate Base: $150.00 annually or $75.00 semi-annually)
Coin Operated Laundromat Fee	Imposed on operators of coin operated laundromats and drycleaning businesses which is in lieu of sales or use tax provisions. $10.00 per unit in cities of 1,000 population or over and all rural areas. $8.00 per unit in cities of under 1,000 population. (Authority: SDCL 10-45-5.1) (Rate Base: $8.00 per unit and $10.00 per unit)
Commercial License Fees	In consideration of the unusual use of the public highways, each person, except as otherwise provided in this chapter, desiring to operate a motor vehicle, trailer or semitrailer, upon the public highways of this state as a motor carrier, annually pays the commercial motor vehicle fee based on his gross weight. (Authority: SDCL 32-9-15 and SDCL 32-9-22) (Rate Base: Fees are based on maximum gross weight)
Conservation Tax	Imposed on the severance of all energy minerals and paid quarterly by the severor. (Authority: SDCL 10-39B) (Rate Base: 2.4 mills of taxable value)
Contractors' Excise Tax	Contractors' Excise Tax of 1½% is imposed on gross receipts of prime and subcontractors on realty improvement contracts performed for certain companies. Sales and use tax is applicable on construction materials. (Authority: SDCL 10-46B) (Rate Base: 1½%) A contractors' excise tax of 2% is imposed on gross receipts of prime contractors on realty improvement contracts. (Authority: SDCL 10-46A) (Rate Base: 2%)
Contractors' Use Tax	Imposes use tax on contractors and subcontractors who use tangible personal property in the performance of realty improvement contracts. Tax applies on the cost or fair market value of property, whichever is greater. MATERIALS USED IN PUBLIC CONTRACTS ARE TAXABLE. (See Contractors' Excise Tax) (Authority: SDCL 10-46-5) (Rate Base: 5%*)

Listing of the taxes administered by the Department of Revenue.

TAX	DESCRIPTION
Distilled Spirits and Liquor P.T.R. Tax	Imposed on every gallon of distilled spirits and liquor wholesaler and credited to the Commission on Alcoholism. (Authority: SDCL 35-5-21.3) (Rate Base: $1.5 per gallon)
Distilled Spirits Occupational Tax	Imposed on every gallon of distilled spirits imported and received by in state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $3.80 per gallon)
Energy Minerals Severance Tax	Imposed on the owners of energy minerals for the privilege of severing said minerals. (Authority: SDCL 10-39A) (Rate Base: 4½% of taxable value)
Estate Tax	Imposed on estates in an amount equal to any unused Federal State Death Tax Credit. (Authority: SDCL 10-40A) (Rate Base: Unused Federal Credit)
High Point Beer Occupational Tax	Imposed on all 31 gallon barrels of high point beer imported and received by all licensed beer and liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $8.30 per bbl.)
High Point Beer, P.T.R. Tax	Imposed on every 31 gallon barrel of high point beer imported by in state licensed beer wholesalers and credited to the Commission on Alcoholism. (Authority: SDCL 35-5-21.3) (Rate Base: $.90 per bbl.)
Inheritance Tax	Imposed on inheritances received by classified persons and others, based upon total estate less specified statutory exemptions. Spouses are totally exempt from inheritance tax. (Authority: SDCL 10-40.2) (Rate Base: 1½% to 30%)
Interstate Fuel Use Tax	The purpose of this is to provide an additional method of collecting fuel taxes from interstate motor vehicle operators commensurate with their operations on South Dakota highways and to permit the Department of Revenue to suspend this collection as to transportation entering South Dakota from any other state where it appears that South Dakota highway fuel tax revenue and interstate highway transportation moving out of South Dakota will not be unduly prejudiced thereby. (Authority: SDCL 10-49.1 thru 10-49.23) (Rate Base: 13/gallon - Diesel; 11/gallon - Liquid Petroleum Gas)
Light Wines and Diluted Beverage Tax	Imposed on all light wines and diluted beverage containing 3.2 to 14% alcohol by weight imported and received by in state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $.90 per gallon)
Liquor License Fee (Other than retail)	Imposed on all applicants requesting permission to obtain and operate under the provision of any classified license listed in the area of distilled spirits and liquor. (Authority: SDCL 35-4-2) (Rate Base: $4,000.00 - Distiller; $5,000.00 - Wholesaler; $25.00 - Solicitors; $25.00 - Transporters; $100.00 - Carriers; $10.00 - Dispensers)
Low Point Beer License Fee	Imposed on all applicants requesting permission to operate as a malt beverage wholesaler or retailer, annual license and 50% of all fees retained at the local level. (Authority: SDCL 35-6-2) (Rate Base: $500.00 - Brewer; $400.00 - Wholesalers; $150.00 - Off Sale; $250.00 - On Off Sale; $150.00 - Transfers)
Low Point Beer Occupational Tax	Imposed on all 31 gallon barrels of low point (3.2) beer imported and received by all licensed beer wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $5.00 per bbl.)
Mobile Home Initial Registration Fee	In addition to any other license fees, registration fees, and compensation for the use of the highways, there is paid to the county treasurer upon application for the first or original registration of a mobile home, an additional license fee at the rate of three percent of the purchase price of such mobile home or the fair market value thereof, whichever is greater. The payment of such license fee shall be in full and in lieu of all occupational, sales, excise, privilege and franchise taxes levied by this state upon the gross receipts from all sales of mobile homes. (Authority: SDCL 32-5-16.1) (Rate Base: 3% on purchase price or fair market value)
Motor Fuel Tax	A tax of thirteen cents per gallon or fraction thereof is imposed on all motor fuel sold or used in this state; except that the tax on motor fuel sold for use in aircraft is six cents per gallon. A tax of eleven cents per gallon or fraction thereof is imposed on all ethanol blend sold or used in

An Overview/*continued*

Listing of the taxes administered by the Department of Revenue.

TAX	DESCRIPTION
	this state. The ethanol blend must contain a minimum of 10% by volume of ethyl alcohol of at least 99% purity derived from cereal grain. Said taxes shall be paid but once. (Authority: SDCL 10-47-1 thru 10-47-82) (Rate Base: 13/gallon - Motor Fuel; 11/gallon - Gasohol; 06/gallon - Aviation)
Motor Vehicle Excise Tax	In addition to all other license and registration fees for the use of the highways, a person pays an excise tax at the rate of three percent on the purchase price of any motor vehicle, as defined by 32-5-1, purchased or acquired for use on the streets and highways of this state and required to be registered under the laws of this state. This tax shall be in lieu of any tax levied by chapters 10-45 and 10-46 on the sales of such vehicles. (Authority: SDCL 32-5B-1 thru 32-5B-18) (Rate Base: 3% purchase price)
Municipal Contractors' Excise Tax	Municipal Contractors' Excise Tax imposed by city ordinance, administered by State Department of Revenue, tax in addition to state tax. (Authority: SDCL 10-46A and 10-52) (Rate Base: ½%)
Non-Commercial License Fees	License fees and compensation on noncommercial motor vehicles, trailers and semi-trailers for use of the highways payable under SDCL 32-5-5, shall be determined by the manufacturer's shipping weight. (Authority: SDCL 32-5-6 and SDCL 32-5-8) (Rate Base: Fees are based on the shipping weight)
Ore Tax	Imposed on all companies severing precious metals within the state; based on the gross yield and net income from the sale of such metal. Producers severing less than 20 ounces per year are exempt. (Authority: SDCL 10-39-24) (Rate Base: 2% of Gross Yield plus 8% of Net Income)
Other Wines and Diluted Beverage Tax	Imposed on wines and diluted beverages except sparkling wines containing 14-1 to 20% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $1.40 per gallon)
Other Wines and Diluted Beverage Tax	Imposed on wines and diluted beverages except sparkling wines containing 20-1 to 24% alcohol by weight imported and received by in-state licensed liquor wholesalers. (Authority: SDCL 35-5-3) (Rate Base: $2.00 per gallon)
Reservation Cigarette Excise Tax	The reservation cigarette excise tax is imposed by tribal ordinance and is identical to the state cigarette excise tax. The tax is collected by the state and a share reverted to the tribe. (Authority: SDCL 10-12A) (Rate Base: 23 cents per pack of twenty; 29 cents per pack of twenty-five)
Reservation Sales, Use and Contractors' Excise Taxes	The reservation sales, use and contractors' excise taxes are imposed by tribal ordinance and are identical to the state sales, use and contractors' excise tax. (Authority: SDCL 10-12A) (Rate Base: 5%*, 1½% or 2%)
Retail Liquor License Fee	These are the fees that may be assessed by the local governing board to any applicant requesting a retail liquor license to sell distilled spirits, liquor, wine and high-point beer. The fees marked "max" indicate that the local board may set any fee up to this maximum level. All fees remain with the local governing board recommending the issuance of such licenses within their jurisdiction. (Authority: SDCL 35-4-2)

	Rate Base:	City
Off-sale Package Liquor	$ 500.00 (max)	First Class
Off-sale Package Liquor	$ 400.00 (max)	Second Class
Off-sale Package Liquor	$ 300.00 (max)	Third Class
On-sale Retailer Liquor (New)	$1.00/person	First Class
On-sale Retailer Liquor	$1500.00	First Class
On-sale Retailer Liquor	$1200.00 (max)	Second Class
On-sale Retailer Liquor	$ 900.00 (max)	Third Class
On-sale Retailer Liquor (Sunday)	$ 200.00 (max)	All Classes
On-sale Retailer Liquor (Airport)	$ 250.00	All Classes
Off-sale Municipal Package	$ 500.00	All Classes
On-sale (wine)	$ 500.00	All Classes

Listing of the taxes administered by the Department of Revenue.

TAX	DESCRIPTION
Sales and Service Tax	(License Required) Sales Tax applies on retailers' gross receipts from all sales of tangible personal property and services not specifically exempted. Exemptions include but are not limited to sales to the state and its political subdivisions, certain agricultural products and motor vehicles, motor fuel, newspapers, labor on new construction and prescription drugs. (Authority: SDCL 10-45) (Rate Base: 5%*) Tax applies to receipts from amusement devices except coin operated washers and dryers subject to special licensing. (Rate Base: 3%) Farm machinery and irrigation equipment: tax applies on the cash difference whenever a trade-in or exchange of used farm machinery is involved. (Rate Base: 3%) Tax applies to receipts resulting from oil and gas field services. (Rate Base: 3%*)
Snowmobile Excise Tax	In addition to the license fee in SDCL 32-5-9.1, there is assessed on each new snowmobile purchased or on each snowmobile on which no excise, sales or similar tax has been paid a three percent initial registration tax on the suggested list price as defined in SDCL 32-20A-17. (Authority: SDCL 32-5-9.3) (Rate Base: 3% on suggested list price)
Special Use Fuel Tax	A tax rate of thirteen cents per gallon is imposed on all special fuel sold or used in this state except that special fuel exempt from the tax by SDCL 10-48-3 and except liquified petroleum gases which are taxed at the rate of eleven cents per gallon, and aviation fuel which is four cents per gallon. Said taxes are paid but once. (Authority: SDCL 10-48-1 thru 10-48-74) (Rate Base: .13/gallon - Diesel; .11/gallon - Liquid Petroleum Gas; .04/gallon - Aviation)
Title and Penalty Fees	Title fees are $3.00 per title; however, if the title is submitted more than 15 days after the date of sale a late fee of one dollar for each week or fraction thereof beyond the 15-day limitation for 25 weeks and a late fee of fifty dollars for 26 weeks or more. (Authority: SDCL 32-3-18 and SDCL 32-3-27) (Rate Base: $3.00 title fee variable penalty)
Trading Stamp License Fee	Imposed annually on all trading stamp and coupon companies who wish to provide retailers with their products. (Authority: SDCL 37-19-1) (Rate Base: $50.00)
Uniform Municipal Sales and Use Taxes	Municipal sales and use taxes imposed by city ordinance, administered by the State Department of Revenue, tax in addition to state tax. State exemptions apply. Farm and irrigation equipment and food are occasionally exempted. (Authority: SDCL 10-52) (Rate Base: No specific rate, rates vary from ½% to 3%)
Use Tax	Use Tax is imposed on the privilege of the use, storage and consumption in this state of tangible personal property or services. Tax is imposed on persons using property, certain exemptions apply; property exempted if taxed under 10-45. Use tax license required. (Authority: SDCL 10-46) (Rate Base: 5%*) A. Farm machinery and irrigation equipment not taxed under 10-45. (Rate Base: 3%) B. Property used in maintaining or operating any type of railroad company classified by 10-28-1 (Rate Base: 2½%)

**A temporary 1% increase went into effect May 1, 1987. This rate is scheduled to be reduced on April 30, 1988.*

An Overview/*continued*

When comparing tax rates, other factors are involved, such as the tax base and allowable exemptions. For example, South Dakota applies sales tax to most services, whereas another state may not.

Comparing tax rates with surrounding states.

State Tax Rates in South Dakota and Surrounding States

(As of August 1987)

	State Sales Tax (percent)	Gasoline Tax (cts per gallon)	Cigarette Tax (cts per carton)	Corporate Income Tax			
				Minimum Rate	Amounts Up To	Maximum Rate	Amounts Over
South Dakota	5 (r)	13	23			No Tax	
Iowa	4	16	26	6	25,000	12	250,000
Minnesota	6	17	38 (r)	9.5 *		Flat Rate	
Montana	No Tax	20 (r)	16	6.75		Flat Rate	
Nebraska	4	17.6 (l)	27 (r)	4.75	50,000	6.65	50,000
North Dakota	5.5 (r)	17 (r)	27 (r)	3	3,000	10.5	50,000
Wyoming	3	8	8			No Tax	

(r) Rate raised during 1987
(l) Rate lowered during 1987
* Corporate rate structure converted from progressive to flat rate in 1987.

Source: Commerce Clearing House, State Tax Guide, August 1987.

This chart shows the taxes paid per person in South Dakota, surrounding states and the national average. The amount paid is rated in descending order with the other states. In 1985, South Dakota was rated 45th, which means that South Dakotans paid less tax than those in 44 other states.

Comparing taxes paid per person in South Dakota with surrounding states and national average.

Taxes Per Capita: South Dakota and Surrounding States

State	1965 Dollar Amount	1965 Rank	1970 Dollar Amount	1970 Rank	1975 Dollar Amount	1975 Rank	1980 Dollar Amount	1980 Rank	1985 Dollar Amount	1985 Rank
U.S.	$264		$427		$664		$ 987		$1465	
SD	**241**	**31**	**398**	**24**	**543**	**33**	**789**	**37**	**1043**	**45**
IA	276	16	436	16	637	21	967	23	1331	27
MN	299	7	442	15	754	8	1125	8	1767	6
MT	265	22	398	25	612	26	1000	16	1383	23
NE	220	38	396	26	577	28	963	24	1251	35
ND	248	26	376	28	613	25	847	29	1357	25
WY	278	15	434	17	697	15	1399	3	2580	2

Source:
U.S. Department of Commerce, Bureau of the Census, Governmental Finances in various issues.

Disposition of Taxes

Total collections by the Department of Revenue of taxes and fees in fiscal year 1987 totaled $432,084,741. Of this amount, $267,459,032 (62%) was deposited in the State's General Fund. Other recipients included local governments and the highway fund. Motor fuel taxes, title and registration fees, and municipal sales tax are a few of the taxes and fees collected that are not deposited in the State General Fund.

The Department distributes the revenues it collects.

Distribution of Taxes

Tax	General Fund	Local Gov't	State Highway Fund	Other
State Sales Tax	100%	0%	0%	0%
State Use Tax	100%	0%	0%	0%
State Contractors' Excise Tax	100%	0%	0%	0%
Municipal Contractors' Excise Tax	0%	100%	0%	0%
State Contractors' Use Tax	100%	0%	0%	0%
Municipal Sales and Use Taxes	0%	100%	0%	0%
Reservation Sales, Use, Excise Taxes	0%	100%	0%	0%
Cigarette Excise Tax	100%	0%	0%	0%
Cigarette License Fees	100%	0%	0%	0%
Reservation Cigarette Excise Tax	(1)	(1)	0%	0%
Inheritance Tax	90%	10%	0%	0%
Bank Franchise Tax (2)	26.66%	73.33%	0%	0%
Ore Tax	100%	0%	0%	0%
Coin Operated Laundromat Fee	100%	0%	0%	0%
Trading Stamp License Fee	100%	0%	0%	0%
Energy Minerals Severance Tax	50%	50%	0%	(3)
Low Point Beer Occupational Tax	100%	0%	0%	0%
High-Point Beer Occupational Tax	70%	30%	0%	0%
Conservations Tax	100%	0%	0%	0%
Amusement Machine Registration	(4)	(4)	0%	0%
Distilled Spirits Occupational Tax	70%	30%	0%	0%
Light Wines and Diluted Beverage	70%	30%	0%	0%
Other Wines and Diluted Beverage	70%	30%	0%	0%
High-Point Beer, P.T.R. Tax	0%	0%	0%	(5)
Distilled Spirits and Liquor P.T.R. Tax	0%	0%	0%	(5)

[1] Revenue from the reservation cigarette excise tax is distributed to the reservation on a proratable basis based on the percentage of Indian population on the reservation and a proratable percentage is retained by the state based on the percentage of non-Indian population on the reservation. The state also retains 1% of the revenue credited to reservations as an administrative charge.

[2] An exception exists regarding banks organized pursuant to SDCL 51-16-40 to 51-16-44, inclusive. 95% of the revenue derived from that tax is deposited into the State General Fund and 5% to the county where the bank is located.

[3] If the energy development fund has a balance of less than $100,000 then one-sixth (1/6) of the revenue is deposited in that fund until the balance reaches $100,000.

[4] Revenue from devices located outside municipalities is deposited into the State General Fund. If the amusement device is located within the boundaries of a municipality then the revenues are remitted to the municipality.

[5] The revenues are deposited into the alcoholism prevention, treatment, and rehabilitation fund, which is administered by the Division of Alcohol and Drug Abuse with the Department of Health.

An Overview/*continued*

Distribution of taxes / continued

Tax	General Fund	Local Gov't.	State Highway Fund	Other
Low-Point Beer License Fees	50%	50%	-0-%	-0-%
Liquor License Fee (other than retail)	70%	30%	-0-%	-0-%
Alcoholic Beverage 2% Purchase Price Tax	100%	-0-%	-0-%	-0-%
Retail Liquor License Fee	100%	-0-%	-0-%	-0-%
Alcohol Beverage Brand Registration Fee	100%	-0-%	-0-%	-0-%
Aviation Fuel Tax	-0-%	-0-%	-0-%	Aeronautics Fund - DOT
Motor Fuel Tax	-0-%	-0-%	98.49%	(6)
Prorate Fees (7)	-0-%	41.5%	54.5%	(8)
Motor Vehicle Registration Fees	-0-%	96%	-0-%	(8)
Motor Vehicle Licensing Receipts:				
Snowmobiles	-0-%	-0-%	-0-%	(9)
Plates and Permits	-0-%	-0-%	-0-%	LPR
Title and Penalty Fees	-0-%	-0-%	-0-%	MVF
Mobile Home Registration Fees	-0-%	85%	-0-%	15 - MVF
3% Registration Fees	-0-%	-0-%	100%	-0-%

6 Motor fuel refunds are deducted first and then the remaining monies are divided as follows: .4 of 1% goes to Game, Fish & Parks; 1.5% to the Motor Fuel Tax Administration Account, and in July, an amount pursuant to SDCL 10-47-60.1 is distributed to the snowmobile trails fund.

7 Other prorate fees: Motor Vehicle 3% excise tax, duplicate cab card, tractor registration fees, and transfer fees are deposited in the State Highway Fund. Trailer ID fees and duplicate plates are deposited in the License Plate Special Revenue Fund (LPR). Title and penalty fees and administration fees are deposited in the State Motor Vehicle Fund (MVF).

8 1.5% is deposited in the State Motor Vehicle Fund (MVF), and 2.5% goes to the License Plate Special Revenue Fund (LPR).

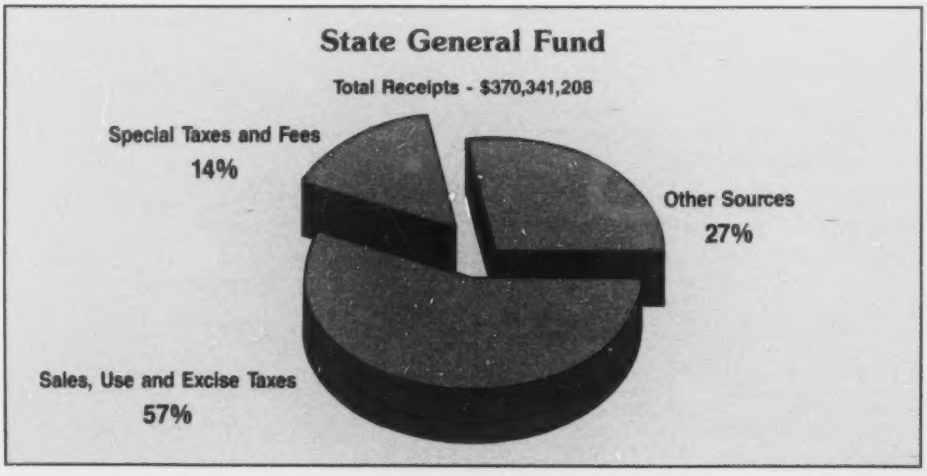
9 80% goes to Game, Fish & Parks, 20% to State Motor Vehicle Fund (MVF).

Revenues to the General Fund

The Department of Revenue administers the taxes that make up 72% of the State General Fund. This fund, comprised of tax receipts and various non-tax revenues, is the principal funding source for public schools, higher education, health and social services, and other programs of State Government.

The total State General Fund in fiscal year 1987 was $370,341,208, including the $267,459,032 in revenues collected by the Department. Other sources to the State General Fund include tuition and fees and investment income.

The Department of Revenue collects over 72% of the total State General Fund dollars.



A Comparison of Receipts by Individual Tax

The Department of Revenue administers 42 separate taxes and fees for the state as well as for local governments. Revenues from these taxes vary from year to year.

A three-year look at the amount of dollars generated by each tax type.

	FY 1985	% Increase [Decrease] Over Previous Year	FY 1986	% Increase [Decrease] Over Previous Year	FY 1987	% Increase [Decrease] Over Previous Year
Sales and Use Taxes – State	$185,606,190	-0.75%	$185,027,984	-0.31%	$193,259,806	4.45%
Excise Tax - State	14,268,195	42.07%	14,747,183	3.36%	16,539,786	12.16%
Sales, Use, Excise Taxes - Cities	49,151,119	35.18%	50,512,962	2.77%	56,231,935	11.32%
Sales, Use, Excise Taxes - Reservations	1,197,242	5.02%	1,387,808	15.92%	1,237,530	-10.83%
1% Economic Development Increase	0	0.00%	0	0.00%	164,515	0.00%
Aviation Fuel Tax	477,670	5.31%	496,516	3.95%	485,600	-2.20%
Motor Fuel Dealers Tax	47,541,939	3.99%	46,552,120	-2.08%	47,468,234	1.97%
Special Fuel Users Tax	1,594,527	10.79%	916,664	-42.51%	1,092,445	19.18%
Special Fuel Dealers Tax	9,619,848	6.34%	9,795,216	1.82%	9,365,025	-4.39%
Interstate Fuel Users Tax	1,913,148	/a	2,147,734	12.26%	2,042,154	-4.92%
Prorate	6,744,441	5.15%	6,517,443	-3.37%	6,359,718	-2.42%
Motor Vehicle Titles and Registrations	27,517,720	/a	28,229,002	2.58%	31,697,059	12.29%
Cigarette Tax - State	10,466,308	-0.40%	14,738,281	40.82%	14,877,185	0.94%
Cigarette Tax - Reservations	157,869	2.80%	226,586	43.53%	246,336	8.72%
Cigarette License Fees	8,255	-5.95%	8,553	3.60%	7,875	-7.92%
Liquor License Fees	34,935	-12.85%	50,415	44.31%	50,765	0.69%
Malt Beverage (3.2) Beer License Fees	174,603	-12.33%	167,833	-3.88%	166,975	-0.51%
Preventative Treatment and Rehabilitation High Point Beer Tax	304,214	-2.21%	307,325	1.02%	321,071	4.47%
Preventative Treatment and Rehabilitation Liquor Tax	175,994	-5.51%	168,987	-3.98%	156,768	-7.23%
Alcohol Beverage Brand Registration Fees	71,510	12.74%	70,800	-0.99%	69,930	-1.23%
Low Point Beer Tax	708,751	-18.11%	664,196	-6.29%	647,517	-2.51%
High Point Beer Tax	2,503,521	-1.97%	2,526,073	0.90%	2,645,744	4.74%
Liquor Tax	5,052,033	-4.45%	4,915,472	-2.70%	4,716,307	-4.05%
Alcoholic Beverages 2% Purchase Price Tax	494,731	-4.35%	491,925	-0.57%	505,438	2.75%
Bank Franchise Tax and Bank Card	15,924,699	-17.63%	23,617,299	48.31%	24,034,803	1.77%
Inheritance Tax	9,087,993	-19.61%	10,512,741	15.68%	11,989,326	14.05%
Ore Tax	3,564,679	-51.53%	3,793,370	6.42%	4,478,173	18.05%
Severance Tax	1,731,451	11.19%	1,726,488	-0.29%	933,640	-45.92%
Conservation Tax	92,859	44.49%	94,589	1.86%	51,710	-45.33%
Coin Laundry License Fee	92,797	11.74%	92,297	-0.54%	100,373	8.75%
Trading Stamp License Fee	100	-33.33%	100	0.00%	100	0.00%
Amusement	92,224	0.00%	107,256	16.30%	115,200	7.41%
Controlled Substance	432	0.00%	0	-100.00%	0	0.00%
Private Carline Tax	0	0.00%	0	0.00%	0	0.00%
Miscellaneous			659		13,299	
Manual Reimbursement			1,752		2,210	26.11%
Section 13 TVA			10,190		10,190	0.00%
Other			357,671		0	
TOTAL	$396,371,996	2.68%	$410,981,487	3.69%	$432,084,741	5.13%

/a Program transferred to the Department of Revenue.

An Overview/*continued*

A Chronology of Major Tax Legislation

Major changes in tax law have occurred occasionally throughout South Dakota's history. Responding to new demands, altered economic conditions and new philosophies, legislatures have made some adjustments to the tax code in every legislative session. The noncommercial license fee was the first state tax, enacted in 1913.

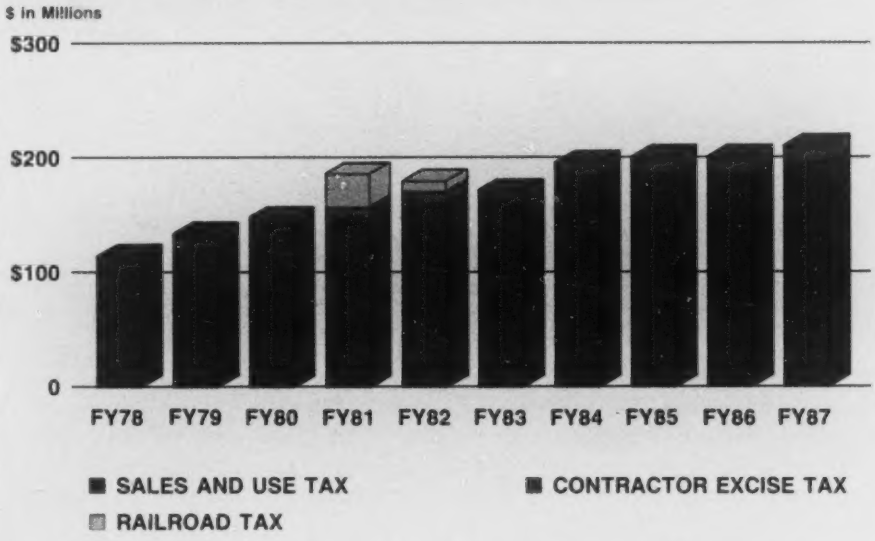
The latest state tax enacted is the contractors' excise tax, passed in 1979.

Year Enacted	Tax Title	Last Major Change
1913	License Fees Noncommercial	1977: Fees schedules were reduced from 5 to 2; one for noncommercial vehicles and one for noncommercial trailers
1915	Inheritance Tax	1980: Spouses exempted; other rates increased
1933	License Fees Commercial	1982: License fees were restructured at this time
1933	Motor Fuel	1984: Increased from 12 to 13 cents per gallon
1935	Alcohol Beverage:	
	Spirits	1987: $3.80 to $3.93/gallon
	High Point Beer	1987: $8.30 to $8.50/barrel
	Table Wine	1987: $.90 to $.93/gallon
1935	Sales Tax	1987: Increased from 4% to 5%
1937	Cigarettes	1985: Increased from 15 to 23 cents per pack
1937	Motor Vehicle Registration	1985: Changed from being a first or original registration fee to a tax based on purchase price of a motor vehicle on all transfers
1939	Bank Franchise	1979: Increased from 5.5% to 6.0%
1939	Use Tax	1987: Increased from 4% to 5%
1941	Special Fuel	1984: Increased from 12 to 13 cents per gallon on special fuel and from 10 to 11 cents per gallon on liquefied petroleum gases
1965	Interstate Fuels	None
1975	Mineral Extraction	1984: Changed from 6% Gross Yield to 2% Gross Yield AND 8% Net Income
1977	Energy Minerals	None
1979	Excise Tax	1984: Tax imposed on prime contractor only Rate increased from 1.5% to 2%

Sales, Use and Excise Taxes

Sales, use, and excise taxes provided the largest percentage of the Department's total collections in fiscal year 1987 at 62%. It also is the largest single contributor to the General Fund, making up over 56% of that fund. Currently, there are 38,471 sales, use and excise tax licensees on file.

Total Revenues from State Sales, Use and Excise Taxes



State sales tax revenues over the last ten fiscal years.

State sales tax receipts have averaged $173,693,407 over the last ten years.

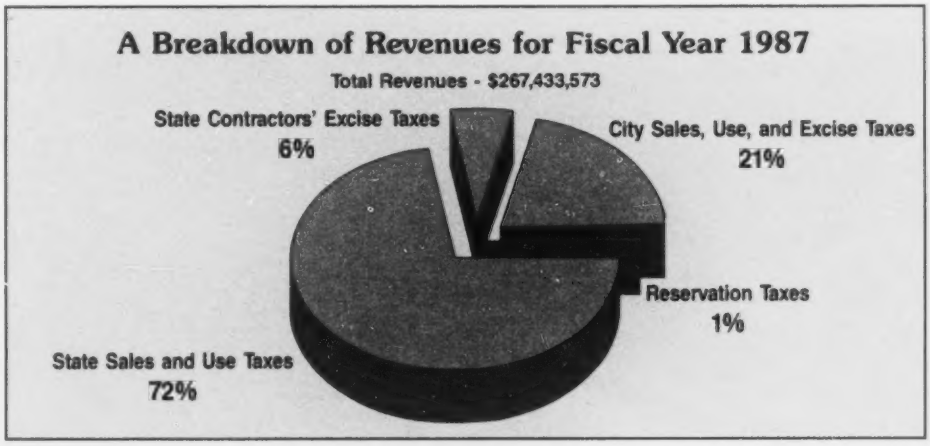
Fiscal Year	Amount of State Revenue	Percentage of Change
1978	114,895,698	
1979	130,821,042	13.86%
1980	147,171,207	12.50%
1981	184,847,817	25.60%
1982	178,984,778	-3.17%
1983	173,539,811	-3.04%
1984	197,060,054	13.55%
1985	199,874,385	1.42%
1986	199,775,167	-0.05%
1987	209,964,108	5.10%

State sales tax is the major revenue producer for the State of South Dakota.

Sales Tax/*continued*

The total revenues of $266,207,988 collected in fiscal year 1987 is divided into five tax types. State sales taxes comprise the largest portion of the total receipts, with reservation taxes the smallest.

Total sales tax receipts broken out by tax types.



City sales tax revenues increased by over 11% during fiscal year 1987.

Municipal and Reservation Taxes

Revenues in this category include taxes on the retail sales of tangible personal property, the sales of services, use taxes, and excise taxes. They also include taxes imposed by municipalities and reservations. These taxes are collected by the Department of Revenue and redistributed to the appropriate municipalities and reservations.

Sales tax revenues do not necessarily indicate the level of economic activity since municipalities and reservations vary in their tax rates and tax bases.

City/Reservation	Tax Rate	FY1986 Revenues	FY1987 Revenues	Percent Change
Aberdeen	1%, 1½%, 2½%	$3,527,520	$3,882,685	10.07%
Alcester	1%	38,863	39,089	0.58%
Alexandria	1%	24,610	29,671	20.56%
Avon	1%	35,211	41,397	17.57%
Belle Fourche	1%, 2%, 3%	563,131	634,572	12.69%
Belvidere	1%	4,113	4,732	15.06%
Beresford	1%	115,209	116,091	0.77%
Box Elder	1%, 2%	90,820	144,575	59.19%
Brandon	1%	83,927	96,717	15.24%
Bridgewater	1%	22,258	30,855	38.63%
Britton	1%	89,382	84,218	-5.78%
Brookings	1%, 2%	1,126,520	1,203,380	6.82%
Canistota	1%, 2%	36,215	37,638	3.93%
Canton	1%	146,625	156,522	6.75%
Centerville	1%	38,651	40,692	5.28%
Central City	1%	7,546	7,991	5.89%
Chamberlain	1%	211,894	216,586	2.21%
Chancellor	1%	7,986	8,493	6.36%
Cheyenne	4%	443,223	605,269	36.56%
Clark	1%	11,715	86,720	640.22%
Clear Lake	1%	71,746	81,273	13.28%
Corsica	1%	0	9,355	0.00%
Custer	2%, 3%	427,077	458,495	7.36%
De Smet	1%, 2%	81,465	117,741	44.53%
Deadwood	1%, 2%, ¼%, 1½%, 2½%, 3%	378,454	397,991	5.16%
Dell Rapids	1%	104,816	112,826	7.64%
Dupree	1%	19,454	19,481	0.14%
Edgemont	1%, 2%	74,070	102,258	38.06%
Egan	½%	12	0	-100.00%
Elk Point	½%	735	1,360	84.91%
Emery	½%	13	0	-100.00%
Eureka	1%	57,001	73,341	28.67%
Faith	1%	50,766	52,182	2.79%
Flandreau	1%	102,609	104,636	1.98%
Ft. Pierre	1%, 2%	131,058	153,116	16.83%
Garretson	1%	31,855	33,501	5.17%
Geddes	1%	0	0	0.00%
Gettysburg	1%	98,687	102,189	3.55%

City/Reservation	Tax Rate	FY1986 Revenues	FY1987 Revenues	Percent Change
Gregory	1%	$ 0	$34,617	0.00%
Groton	1%	64,033	64,214	0.28%
Harrisburg	1%	14,848	18,517	24.71%
Hartford	1%	25,027	26,303	5.10%
Hermosa	1%	6,494	6,455	-0.60%
Highmore	1%	66,133	63,297	-4.29%
Hill City	1%, 2%	81,205	87,695	7.99%
Hosmer	1%	19,183	17,307	-9.78%
Hot Springs	1%, 1½%, ½%	328,271	352,515	7.39%
Howard	1%	0	29,623	0.00%
Humboldt	1%	15,082	11,707	-22.38%
Hurley	1%	18,078	16,301	-9.83%
Huron	1%, 2%	1,782,555	1,943,344	9.02%
Ipswich	1%	56,483	54,659	-3.23%
Irene	1%	18,689	19,503	4.36%
Iroquois	1%	10,828	10,757	-0.66%
Kadoka	1%, 2%	64,996	78,191	20.30%
Kennebec	1%	23,614	22,807	-3.42%
Keystone	2%	114,352	136,573	19.43%
Kimball	1%	43,577	44,264	1.58%
Lake Andes	1%	34,202	40,305	17.85%
Lake Preston	1%	38,737	38,023	-1.84%
Lead	1%	425,845	255,898	-39.91%
Lennox	1%	66,511	75,786	13.95%
Madison	1%, 2%	385,336	397,182	3.07%
Marion	1%	43,775	55,371	26.49%
Martin	1%	93,721	93,207	-0.55%
Midland	1%	12,102	12,025	-0.63%
Miller	1%	0	88,971	0.00%
Mission	1%, 2%	131,866	142,075	7.74%
Mitchell	1%, 2%	2,190,511	2,310,376	5.47%
Mobridge	1%	0	150,052	0.00%
Monroe	1%	3,024	3,809	25.97%
Murdo	1%, 2%	67,288	69,863	3.83%
New Underwood	2%	2,301	18,079	685.69%
Newell	1%	35,077	32,685	-6.82%
Oacoma	1%	58,361	61,144	4.77%
Parker	1%	38,041	36,879	-3.05%
Parkston	¼%, 1%	2,067	22,409	984.13%
Philip	1%	99,346	112,690	13.43%
Pierre	1%, 2%, 3%	1,235,650	1,349,115	9.18%
Pine Ridge	4%	284,052	252,238	-11.20%
Platte	1%	0	85,259	0.00%
Presho	1%	41,113	44,375	7.93%
Rapid City	2%, 2½%	10,644,798	11,424,648	7.33%
Redfield	1%	198,019	199,077	0.53%
Roscoe	1%	24,111	26,634	10.46%
Rosebud	4%	660,531	444,417	-32.72%
Salem	1%	75,917	80,884	6.54%
Scotland	1%	45,412	46,944	3.37%
Sioux Falls	1%, 2%	18,330,863	19,917,385	8.65%
Sisseton	1%	174,454	173,630	-0.47%
Spearfish	1%, 2%	687,354	1,033,574	50.37%
Spencer	1%	0	2,408	0.00%
Springfield	1%	41,344	44,700	8.12%
Stickney	1%	0	10,561	0.00%
Sturgis	1%, 2%	425,010	482,855	13.61%
Tea	1%	20,622	21,559	4.54%
Timber Lake	1%	0	3,695	0.00%
Toronto	1%	5,953	8,497	42.73%
Tyndall	1%	15,878	55,031	246.58%
Vermillion	1%, 2%	513,539	524,412	2.12%
Viborg	1%	38,338	41,183	7.42%
Wakonda	1%	14,879	14,100	-5.24%
Wall	1%, 2%	242,072	276,423	14.19%
Watertown	1%, 2%	1,720,663	1,792,983	4.20%
Waubay	1%	20,713	18,420	-11.07%
Webster	1%	153,059	151,063	-1.30%
Wessington Springs	1%	72,455	70,893	-2.16%
White River	1%	27,391	37,081	35.37%
Whitewood	1%	20,308	21,582	6.28%
Willow Lake	1%	14,653	15,083	2.94%
Winner	1%	287,628	298,095	3.64%
Woonsocket	1%	32,852	35,927	9.36%
Worthing	1%	5,093	6,535	28.30%
Yankton	1%	1,089,196	1,188,059	9.08%
TOTAL		**$51,900,769**	**$56,542,496**	**8.94%**

Sales Tax/*continued*

Effective May 1, 1987, the South Dakota sales and use tax increased from the current general state rate of 4% to 5%. The additional revenue from this 1% increase is dedicated to the State Economic Development Fund. The sales tax rate is scheduled to return to 4% on April 30, 1988.

During fiscal year 1987, 11 more municipalities enacted a local sales tax. This brought the total of local governments with a sales and use tax to 114.

Number of local governments that have a sales tax in South Dakota and surrounding states.

Use of Local General Sales Tax in South Dakota and Surrounding State

(As of August 1987)

	Number of local governments with a sales tax*	Maximum local rate
South Dakota	**114****	**3**
Iowa	16	1
Minnesota	3	1
Montana		No Local Tax
Nebraska	21	1.5
North Dakota	3	1
Wyoming	15	2

Source: Commerce Clearing House State Tax Guide, August 1987

* *One of the local governments implements a city excise tax, the remainder is sales and use tax.*

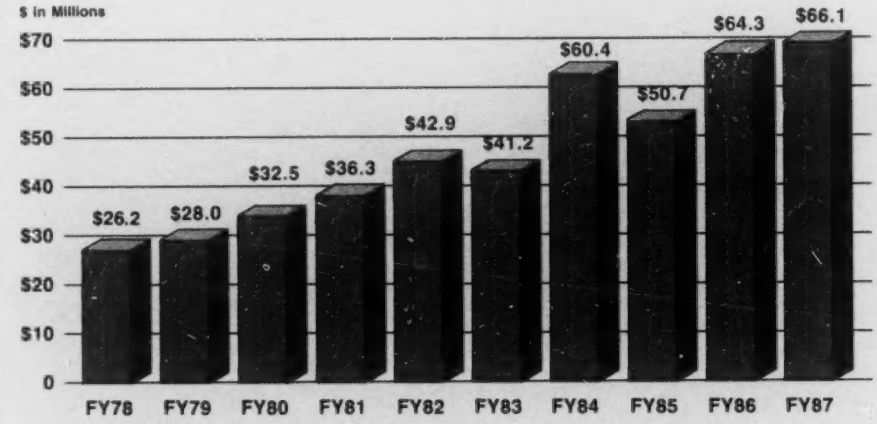
** *This is the number of local governments, not the number of taxes and tax rates. Some local governments have several rates — as many as six different rates.*

Special Taxes

Special taxes include the following taxes and fees: cigarette excise tax; cigarette license fee; reservation cigarette excise tax; inheritance tax; bank franchise tax; ore tax; energy mineral severance tax; coin operated laundromat license fee; beer, wine and distilled spirits taxes; beer and liquor license fee; and alcohol beverage brand registration fee.

Special tax revenues have increased 152% over the last ten fiscal years.

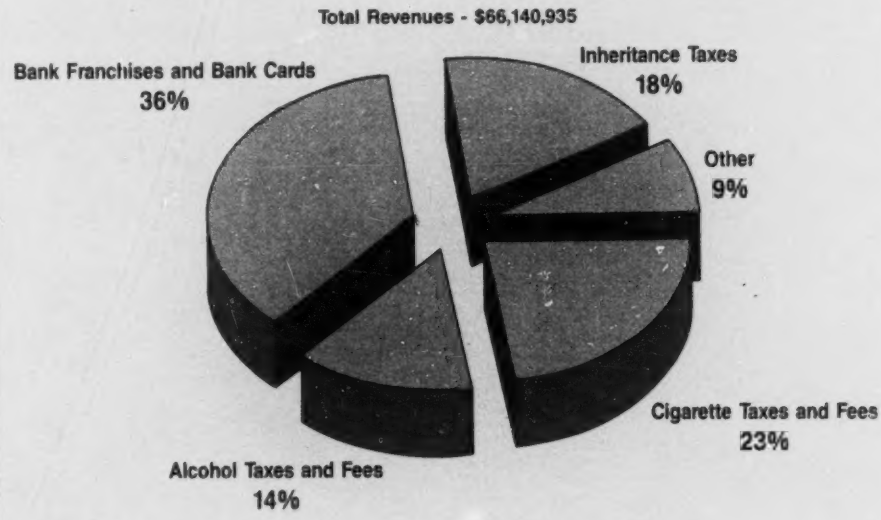
Total Revenue from Special Taxes



Collections for special taxes in fiscal year 1987 totaled $66,140,935. Bank franchise and bank card make up the majority, at 36%, of total special taxes receipts.

Special taxes are made up of various taxes and fees, from natural resources taxes to cigarette taxes.

A Breakdown of Revenues for Fiscal Year 1987

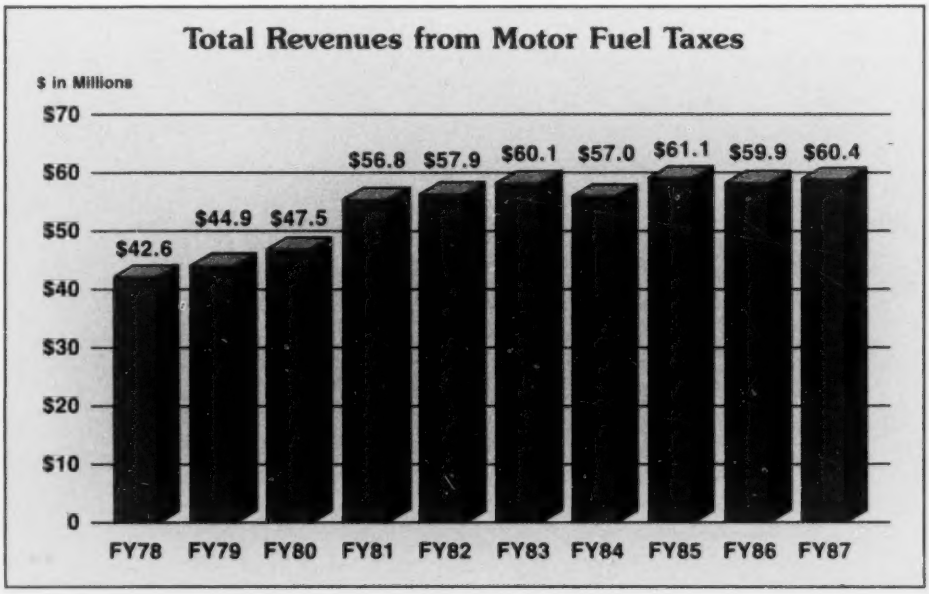


Fuel Tax and Vehicle Licensing

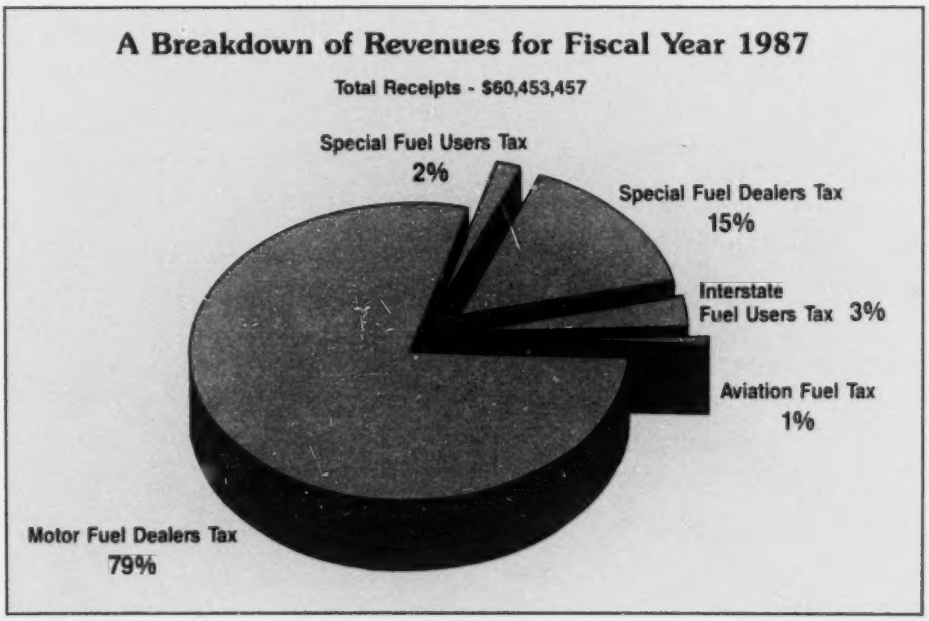
Motor Fuel Taxes

Motor fuel taxes include motor and special fuel dealers, special fuel users, and interstate fuel users. At the end of fiscal year 1987, there were 14,600 licensees who sell or use gasohol, special fuels, heating fuels, and aviation fuels.

Motor fuel collections, without motor fuel refunds being deducted.



Motor fuel dealers contribute the majority of receipts for the motor fuel collections. The various types of motor fuel taxes are broken down for fiscal year 1987.



Prorate and Port of Entry Fees

Prorate and port of entry fees are commercial licensing fees whose collections are based on the number of miles a motor carrier travels in this state. The total collections during fiscal year 1987 were this, 54.5% went to the State Highway Fund, 1.5% to the State Motor Vehicle Fund, 2.5% to the License Plate Special Revenue Fund, and 41.5% was distributed back to the counties.

Distribution of prorate and port of entry fees to the counties during fiscal year 1987.

Aurora	**$23,444**	**Fall River**	**$31,450**	**Marshall**	**$28,969**
Beadle	**70,169**	**Faulk**	**22,670**	**Meade**	**68,319**
Bennett	**19,384**	**Grant**	**37,331**	**Mellette**	**13,732**
Bon Homme	**30,855**	**Gregory**	**30,429**	**Miner**	**21,697**
Brookings	**70,990**	**Haakon**	**20,156**	**Minnehaha**	**249,656**
Brown	**117,334**	**Hamlin**	**24,439**	**Moody**	**29,353**
Brule	**27,730**	**Hand**	**34,214**	**Pennington**	**195,666**
Buffalo	**7,256**	**Hanson**	**17,559**	**Perkins**	**32,540**
Butte	**28,689**	**Harding**	**16,985**	**Potter**	**22,773**
Campbell	**17,825**	**Hughes**	**44,218**	**Roberts**	**48,917**
Charles Mix	**44,865**	**Hutchinson**	**40,332**	**Sanborn**	**19,938**
Clark	**32,442**	**Hyde**	**14,128**	**Shannon**	**28,140**
Clay	**36,896**	**Jackson**	**18,403**	**Spink**	**55,158**
Codington	**65,316**	**Jerauld**	**17,125**	**Stanley**	**15,183**
Corson	**33,476**	**Jones**	**12,896**	**Sully**	**18,289**
Custer	**26,938**	**Kingsbury**	**35,681**	**Todd**	**25,296**
Davison	**50,489**	**Lake**	**38,821**	**Tripp**	**42,780**
Day	**42,256**	**Lawrence**	**55,589**	**Turner**	**38,523**
Deuel	**25,381**	**Lincoln**	**48,939**	**Union**	**37,657**
Dewey	**26,652**	**Lyman**	**25,708**	**Walworth**	**28,515**
Douglas	**20,077**	**McCook**	**28,918**	**Yankton**	**53,201**
Edmunds	**30,617**	**McPherson**	**24,061**	**Ziebach**	**16,170**

Motor Vehicle Fees

Collections in titles and registrations are made up of several different license plate fees, title fees, and registration fees. Total revenues for these fees in fiscal year 1987 were $41,412,244.

Motor Vehicle Licensing Receipts

Motor vehicle fees, fiscal year 1987 compared to fiscal year 1986.

	FY 1987	FY 1986	Percent Change
Fees Retained by Counties:			
Mobile Home Registration Fees (85%)	$ 555,031	$ 484,710	14.51%
License Plate Fees	8,806,302	8,502,445	3.57%
License Plate Fees - State's Share*	**1,202,661**	**1,927,568**	**-37.61%**
License Plate Fees - Counties', Cities', Townships' Share	11,564,922	10,057,812	14.98%
Snowmobiles	**55,956**	**80,840**	**-30.78%**
Temporary Special Permits	8,740	8,838	-1.11%
Mobile Home Plates	**23,660**	**21,420**	**10.46%**
Dealer Fees, Duplicate Dealer Plates	87,282	77,898	12.05%
Noncommercial Duplicate Plates	**19,895**	**31,523**	**-36.89%**
Commercial Duplicate License Plates	1,554	932	66.74%
Title and Penalty Fees	**682,718**	**469,552**	**45.40%**
Trailer ID Fees	9,296	9,478	-1.92%
Replacement Plate Fees	**4,184**	**2,481**	**68.64%**
Motorcycle Safety Education Fees	51,225	53,990	-5.12%
Mobile Homes Registration Fees – State's Share (15%)	**97,947**	**85,537**	**14.51%**
Other Vehicle 3.0% Registration Fees	17,853,852	15,399,892	15.93%
Snowmobile 3.0% Initial Registration Fees	**33,167**	**1,239**	**2,576.92%**
Register of Deeds Fees	353,852	378,949	-6.62%
Total Receipts	**$41,412,244**	**$37,595,106**	**10.15%**

* *State Motor Vehicle Fund, License Plate Special Revenue Fund*

Property Tax

The Department of Revenue provides assistance to local governments in administration of property taxes and to help insure that all assessments of property are fair and equitable and in compliance with the laws of South Dakota.

The following is a brief step-by-step synopsis of the way in which property taxes (with the exception of centrally assessed properties) in South Dakota are determined.

How property taxes are determined.

Step 1

All property is assessed its full and true value in January of each year.

Example: John Doe's house is determined to be worth $40,000.

Step 2

Taxable value = percent x full and true value. In May, each county Board of Equalization determines what percent of the full and true value will be the taxable value. This percent cannot exceed 60 percent. At that time, the total taxable value in each taxing jurisdiction within the county will be determined.

Example: The county board determines that 40% of the true value will be the taxable value: 40% x $40,000 = $16,000. The total full and true value of property in a taxing jurisdiction was determined to be $20,000,000. The total taxable value = $20,000,000 x 40% = $8,000,000.

Step 3

In October, the various taxing jurisdictions (county, school district, city, etc.) within the county submit their budgets to the county auditor.

Step 4

Mill Levy = (Budget/Taxable Value) x 1000. Mill levies (within statutory limits) for each taxing jurisdiction are determined by dividing the budget by the taxable value within a taxing jurisdiction and multiplying the results by 1000.

Example:
A taxing jurisdiction has a budget of $100,000.
Mill levy = ($100,000/$8,000,000) 1000 = 10.00 mills.

Step 5

Mill Levy = 1/1000 of Tax Dollar. One mill is equal to 1/10 of a cent or 1/1000 of a dollar.

Example: City taxes, based on 10 mill levy, are $1.00 per $100 of the taxable value. If taxable value = $16,000, the taxes equal $16,000 x 10/1000 = $160.00

Step 6

Taxes are due on January 1 of the year following the assessment. One-half of the taxes must be paid by May 1 of the year following the assessment and the remaining half must be paid by November 1 of the year following the assessment. All property taxes are paid to the county treasurer.

Property taxes are valued during 1986 and payable in 1987.

Property Taxes Payable in 1987 (Principal Classifications)

Property taxes payable in 1987.

Real		Taxable Valuation	Taxes Levied
AG property outside city limits		$2,906,174,869	$107,729,467
NA property outside city limits		845,020,358	43,953,747
AG property within city limits		14,080,589	2,325,434
NA property within city limits		2,672,366,186	180,413,037
	Sub-Total:	6,437,642,002	334,419,686
Railroad		12,497,019	679,984
Telegraph		219,309	13,884
Electric Light, Power, etc.		297,453,164	15,542,999
*Telephone (Within)		107,247,670	7,068,918
	Sub-Total:	6,855,059,164	357,725,473
*Telephone (Without)		48,904,817	2,127,663
Special Assessments		— — — — —	3,356,070
	GRAND TOTAL:	6,903,963,981	363,209,208

The County Treasurer collects all the property taxes within the county and then distributes the money back to the various jurisdictions based on the taxes levied by each of those jurisdictions.

Local Government Ad Valorem Tax Dollar Distribution

Distribution of property tax dollars.

	Taxes Levied in 1986 Payable in 1987	Portion to Each Entity Out of $100
County (Includes Library, Secondary Road, Fire Fighting Purposes, Telephone Outside General Fund)	76,691,257	21.11
Cities and Towns	47,360,983	13.04
Schools	227,179,575	62.55
Townships	7,036,994	1.94
Conservancy Subdistricts	1,028,771	0.28
*Other Special Districts	3,911,625	1.08
TOTAL	363,209,208	100.00

*Includes such districts as: Fire, Railroad Authority, Sanitary Sewer, Paving, etc.

Property Tax/*continued*

The chart below compares the total tax amount and effective tax rate on property with a market value of $40,000 in the 27 largest cities (by population) in South Dakota. The properties compared are residential and commercial properties within the city limits and ag land, which is agricultural land outside the city limits but within the same school district.

Comparison of property taxes among the 27 largest cities in the state.

Urban and Commercial Taxes Payable in 1987

City	Commercial		Urban	
	Effective Tax Rate	Tax	Effective Tax Rate	Tax
Aberdeen	2.63	$1,050	2.45	$ 980
Belle Fourche	3.34	1,336	2.65	1,058
Brandon	2.02	810	2.14	855
Brookings	2.43	971	2.11	843
Canton	3.41	1,365	3.06	1,225
Chamberlain	3.28	1,310	2.47	987
Dell Rapids	2.50	1,000	2.24	897
Flandreau	3.39	1,356	2.65	1,060
Hot Springs	2.97	1,189	2.79	1,117
Huron	2.94	1,174	2.74	1,094
Lead	4.35	1,739	2.73	1,093
Madison	3.14	1,256	2.47	988
Milbank	1.96	784	1.93	772
Mitchell	3.22	1,288	3.03	1,212
Mobridge	2.88	1,151	3.05	1,220
Pierre	2.42	969	2.31	922
Rapid City	2.37	949	2.52	1,006
Redfield	2.92	1,169	3.01	1,202
Sioux Falls	1.98	790	2.16	863
Sisseton	3.50	1,400	2.31	923
Spearfish	2.66	1,064	2.41	963
Sturgis	2.82	1,127	2.28	910
Vermillion	2.59	1,035	2.55	1,020
Watertown	1.83	731	1.80	721
Webster	2.20	881	2.65	1,061
Winner	2.29	917	2.63	1,050
Yankton	2.20	880	2.11	842

Agricultural Taxes Payable in 1987

Township	Effective Tax Rate	Tax
Aberdeen Twp. 6-1	1.14	$457
Belle Fourche Twp. 9-1 (Unorg.)	1.23	492
Brandon Twp. 49-2	1.48	592
Brookings Twp. 5-1	1.17	469
Canton Twp. 41-1	1.21	483
Chamberlain Twp. 7-1	1.35	541
Dell Rapids Twp. 49-3	1.14	456
Flandreau Twp. 50-3	1.45	580
Hot Springs Twp. 23-2 (Unorg.)	1.42	569
Used (Valley) Twp. 2-2	1.23	491
Lead Twp. 40-1 (Unorg.)	1.03	413
Lakeview Twp. 39-2	1.49	595
Alban Twp. 25-4	0.83	333
Mitchell Twp. 17-2	1.47	587
Mobridge Twp. 62-3 (Unorg.)	1.47	586
Buckeye Twp. 32-2 (Unorg.)	1.33	530
Rapid City Twp. 51-4 (Unorg.)	1.10	439
Redfield Twp. 56-4	1.28	513
Sioux Falls Twp. 49-5	1.24	497
Sisseton Twp. 54-5	1.05	420
Spearfish Twp. 40-2 (Unorg.)	1.23	493
Meade Twp. 46-1 (Unorg.)	0.86	342
Vermillion Twp. 13-1	1.24	497
Elvria Twp. 14-4	1.13	450
Webster Twp. 18-4	1.29	515
Lamro Twp. 59-2	1.11	445
Unorganized Twp. 93-55 (63-3)	1.06	424

Mill Levies

County	Average County Mill Levy	Average City Mill Levy	Average Levy without Corp. Limits
Aurora	42.74	76.85	39.02
Beadle	50.96	65.75	36.97
Bennett	53.86	85.53	50.20
Bon Homme	64.09	89.06	55.22
Brookings	57.70	66.24	46.56
Brown	62.74	79.68	45.27
Brule	59.70	89.32	47.90
Buffalo	46.80	*****	46.80
Butte	58.36	80.61	44.97
Campbell	31.96	80.44	27.40
Charles Mix	61.03	89.32	53.89
Clark	39.94	72.97	35.86
Clay	50.14	62.20	42.05
Codington	38.75	42.53	30.80
Corson	48.78	82.72	45.69
Custer	54.98	71.65	49.25
Davison	51.20	58.76	35.85
Day	45.81	67.51	40.14
Deuel	47.03	84.92	41.38
Dewey	47.70	76.82	42.92
Douglas	50.41	89.95	43.80
Edmunds	34.42	55.36	31.51
Fall River	58.76	76.75	46.51
Faulk	42.64	81.75	38.85
Grant	50.67	70.20	45.31
Gregory	60.87	97.60	52.11
Haakon	50.72	86.54	45.18
Hamlin	45.05	78.52	40.00
Hand	26.89	40.25	24.76
Hanson	44.33	78.91	40.69
Harding	34.62	72.98	32.75
Hughes	52.25	59.49	34.64
Hutchinson	43.07	67.36	36.22
Hyde	46.28	95.93	39.29
Jackson	34.50	55.98	31.96
Jerauld	50.20	79.27	44.36
Jones	36.00	53.27	33.54
Kingsbury	48.44	72.88	40.94
Lake	53.58	71.94	45.27
Lawrence	67.26	78.28	53.53
Lincoln	51.05	68.70	43.34
Lyman	53.21	102.12	48.36
Marshall	47.15	75.20	42.74
McCook	49.55	69.41	43.27
McPherson	29.76	44.38	27.13
Meade	48.50	66.69	42.97
Mellette	37.41	56.28	36.16
Miner	31.94	51.22	28.89
Minnehaha	60.96	64.77	43.53
Moody	51.94	77.89	46.71
Pennington	69.15	72.21	59.23
Perkins	38.34	84.19	31.30
Potter	42.49	73.48	33.94
Roberts	60.08	84.85	53.87
Sanborn	55.47	99.02	51.25
Shannon	52.97	88.19	52.45
Spink	37.13	60.14	31.99
Stanley	43.06	77.12	35.26
Sully	31.21	56.07	29.69
Todd	47.06	66.46	44.30
Tripp	48.40	74.88	40.47
Turner	49.72	73.66	44.18
Union	45.16	58.91	39.67
Walworth	38.58	59.07	25.50
Yankton	41.94	47.89	34.97
Ziebach	51.75	108.53	49.90
Total			2720.41

Average mill levies are the average total levy on property. The levies are divided into three categories: within an incorporated city/town, outside an incorporated city/town, and the total levy on property county wide.

Property Tax/*continued*

Property Tax Replacement

Since fiscal year 1980, $40,744,104 has been appropriated from the State General Fund for distribution to counties. This money is sent to the counties to relieve the revenues after the repeal of the personal property tax. An amount less than this was appropriated prior to fiscal year 1980 as some personal property was still subject to taxation.

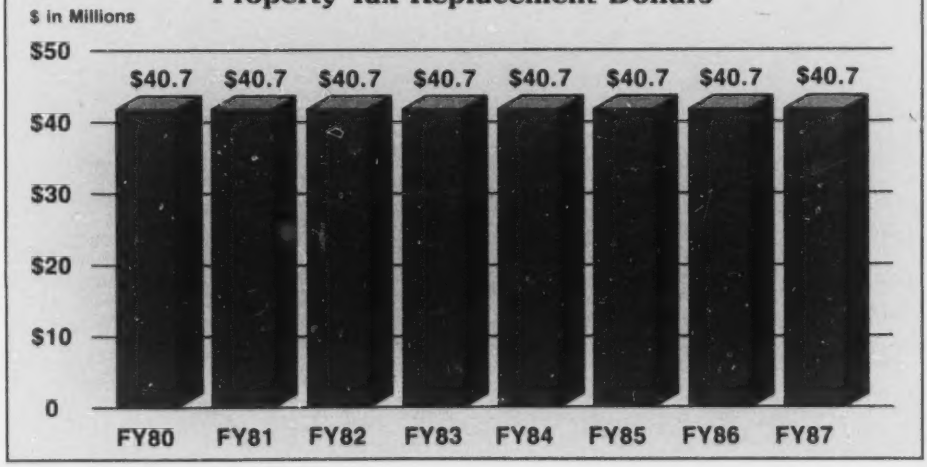
Counties receive personal property tax replacement money.

Distribution by County (Fiscal Year 1986)

County	Amount	County	Amount
Aurora	$382,194	Hyde	$232,835
Beadle	1,224,863	Jackson	230,339
Bennett	265,790	Jerauld	363,474
Bon Homme	566,149	Jones	197,619
Brookings	1,199,112	Kingsbury	603,710
Brown	2,344,307	Lake	604,458
Brule	505,791	Lawrence	674,227
Buffalo	111,868	Lincoln	674,505
Butte	457,567	Lyman	375,670
Campbell	290,371	McCook	540,913
Charles Mix	776,014	McPherson	486,618
Clark	510,971	Marshall	442,231
Clay	521,849	Meade	593,927
Codington	1,057,634	Mellette	204,691
Corson	363,718	Miner	359,636
Custer	252,540	Minnehaha	5,088,497
Davison	971,218	Moody	527,111
Day	596,339	Pennington	1,856,387
Deuel	502,891	Perkins	541,354
Dewey	244,788	Potter	374,419
Douglas	431,095	Roberts	770,389
Edmunds	465,378	Sanborn	316,639
Fall River	421,222	Shannon	110,404
Faulk	379,473	Spink	830,423
Grant	576,142	Stanley	163,888
Gregory	523,561	Sully	247,092
Haakon	273,824	Todd	276,424
Hamlin	398,521	Tripp	761,907
Hand	674,853	Turner	734,449
Hanson	334,010	Union	626,158
Harding	332,170	Walworth	463,063
Hughes	624,155	Yankton	853,942
Hutchinson	867,726	Ziebach	168,601
		TOTAL	$40,744,104

Replacement amount has remained consistent since fiscal year 1980.

Property Tax Replacement Dollars



Audits

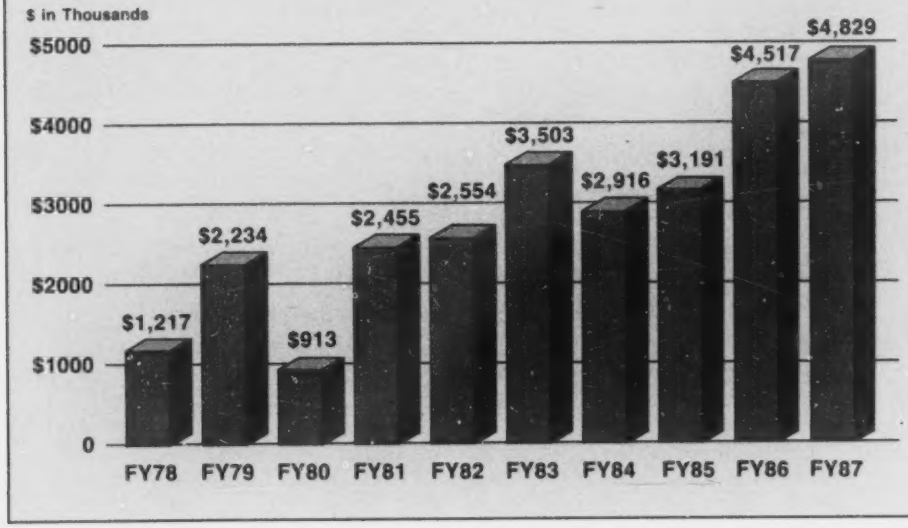
Sales and use tax audit assessments have increased by 75% over the past ten years. In fiscal year 1978, the assessments totaled $1,217,485; in fiscal year 1987, the assessments were $4,829,055. The number of audits increased 56% in that period of time, from 406 in fiscal year 1978 to 910 in fiscal year 1987.

In fiscal year 1986, the Motor Fuel Audit program was moved into the Audit Division from the Motor Vehicle Division. During fiscal year 1987, 1,041 motor fuel audits were completed for a total assessment of $723,871.

Sales, Use and Excise Tax Audits (Fiscal Year 1987)

	Number of Audits	Assessments
In-State	692	$2,704,271
Out-of-State	218	2,124,784
Total	**910**	**$4,829,055**

Audit Assessments

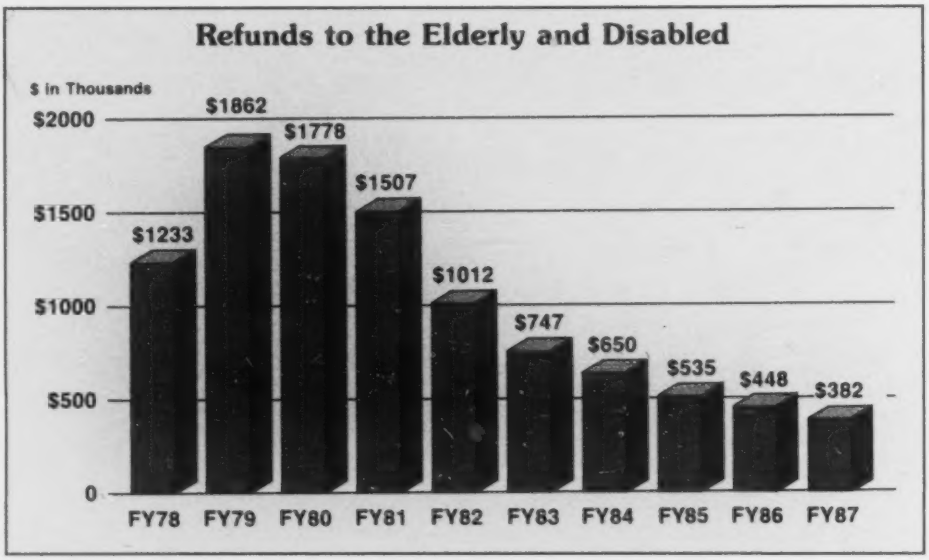


Ten-year look at sales, use and excise tax audit assessments.

Tax Refund Programs

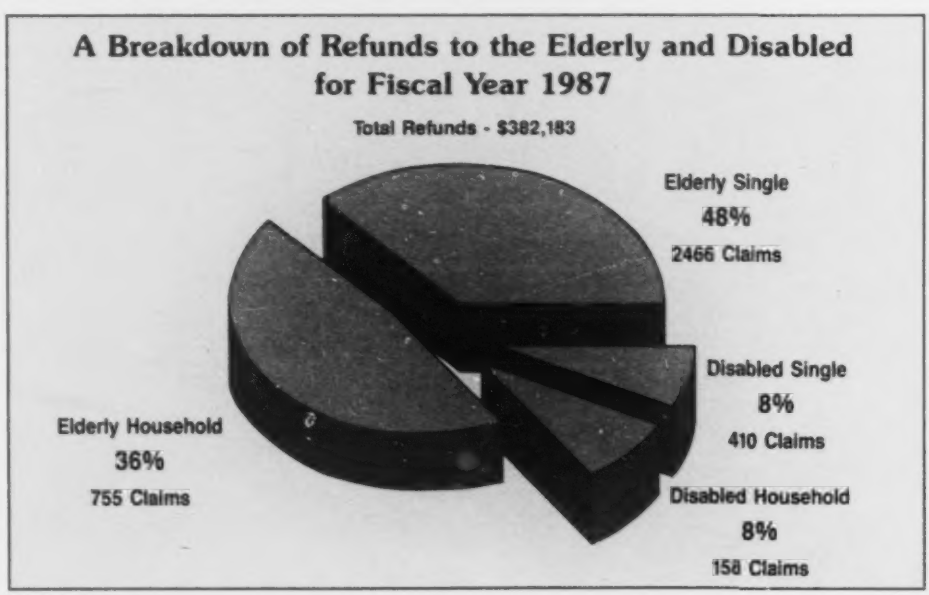
Sales or property tax refunds are granted to low-income senior citizens or disabled individuals based on income and size of household. Sales and property tax refunds were down by 15% in fiscal year 1987. This refund program was funded by a $500,000 special appropriation.

Tax refunds to the elderly and disabled have decreased by 322% since fiscal year 1978.



The sales tax refund for individuals from single-member households ranges from $110 for income levels below $2,750 to $46 for income levels below $4,625. The sales tax refund for individuals from multiple-member households ranges from $220 for income levels below $5,500 to $74 for income levels below $7,375. The property tax refunds for individuals from single-member households ranges from 35% of property for income levels below $2,750 to 19% of property taxes due or paid for income levels below $4,625. The property tax refund for individuals from multiple-member households ranges from 55% of property taxes paid or due for income levels below $5,500 to 25% of property taxes paid or due for income levels below $7,365.

Breakdown of tax refunds to the elderly and disabled.



Below is a list which shows the number of claims received and amount of refunds by county.

Includes property and sales tax refunds.

Tax Refunds for Elderly and Disabled by County

(Fiscal Year 1987)

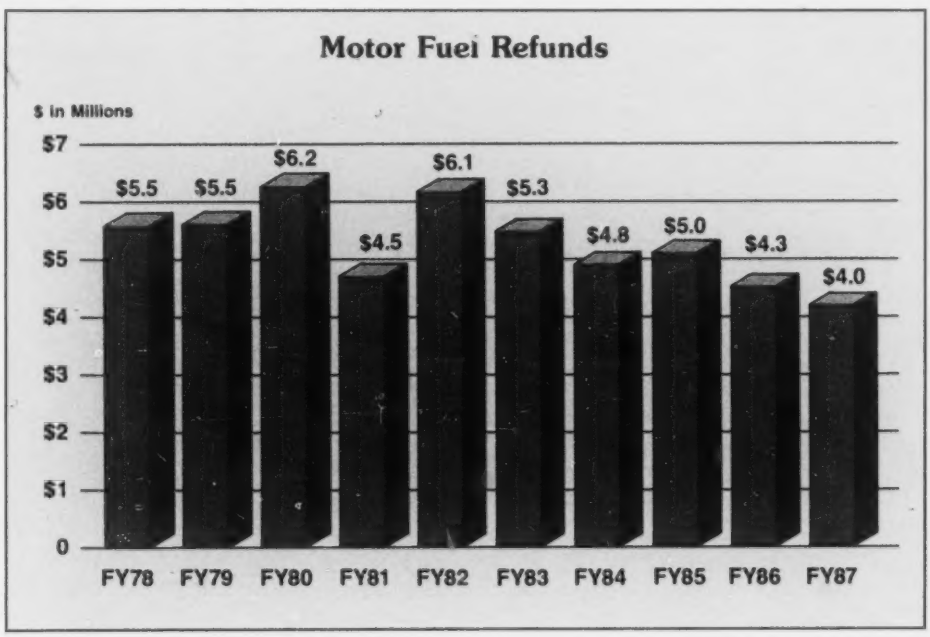
County	Number of Applications FY 1986	Amount of Refunds FY 1986	Number of Applications FY 1987	Amount of Refunds FY 1987
Aurora	26	2,905	23	2,498
Beadle	131	11,711	115	10,423
Bennett	32	3,627	26	2,393
Bon Homme	76	8,412	67	7,169
Brookings	92	10,341	82	8,836
Brown	239	27,624	208	23,471
Brule	43	4,050	34	3,285
Buffalo	6	1,059	6	943
Butte	40	3,657	31	3,420
Campbell	23	2,301	13	1,292
Charles Mix	119	11,296	108	9,852
Clark	52	4,610	43	3,476
Clay	43	4,583	33	3,454
Codington	135	12,282	123	11,340
Corson	19	1,796	16	1,371
Custer	30	3,421	25	2,945
Davison	159	13,957	136	11,001
Day	104	11,445	84	9,153
Deuel	80	9,067	75	8,869
Dewey	38	4,585	37	4,043
Douglas	44	4,968	35	3,507
Edmunds	64	6,184	56	5,274
Fall River	42	3,842	34	3,389
Faulk	24	2,097	19	1,577
Grant	75	7,493	76	6,767
Gregory	75	7,270	60	5,538
Haakon	10	1,008	9	863
Hamlin	51	5,926	50	5,579
Hand	38	3,328	32	3,093
Hanson	19	1,747	12	1,069
Harding	3	323	2	212
Hughes	55	4,608	52	5,505
Hutchinson	65	9,490	53	7,762
Hyde	10	1,030	13	1,420
Jackson	19	2,030	32	3,168
Jerauld	39	3,869	35	3,286
Jones	6	473	4	283
Kingsbury	53	5,199	42	4,353
Lake	95	10,475	78	7,973
Lawrence	71	6,684	55	4,908
Lincoln	83	8,388	67	6,829
Lyman	25	2,707	20	1,750
McCook	41	4,201	29	2,724
McPherson	68	6,917	53	5,011
Marshall	54	5,066	54	4,548
Meade	49	5,251	46	4,018
Mellette	13	1,395	12	1,580
Miner	42	5,019	31	3,291
Minnehaha	491	49,322	424	43,205
Moody	57	5,932	51	4,962
Pennington	254	26,561	231	25,459
Perkins	41	3,751	39	3,425
Potter	24	2,306	20	2,021
Roberts	148	15,407	110	10,606
Sanborn	20	1,649	18	1,686
Shannon	153	16,163	169	16,932
Spink	59	5,051	57	5,013
Stanley	11	1,757	9	1,111
Sully	5	591	4	641
Tripp	55	7,340	42	4,511
Todd	43	5,596	50	5,796
Turner	64	6,903	51	5,499
Union	62	5,796	50	4,352
Walworth	56	5,557	47	5,189
Yankton	78	8,111	59	5,722
Ziebach	12	1,312	12	1,542

Tax Refund Programs/*continued*

Motor Fuel Tax Refunds

A motor fuel tax refund is allowed when tax has been paid on motor fuel bought for nonhighway agricultural and nonhighway commercial purposes. These refunds are paid out of the motor fuel collections. During fiscal year 1987 there were 17,167 refund claims that totaled a payment of $4,081,955. The average claim amounted to $238 in fiscal year 1987, whereas in fiscal year 1986 the average refund claim was $222.

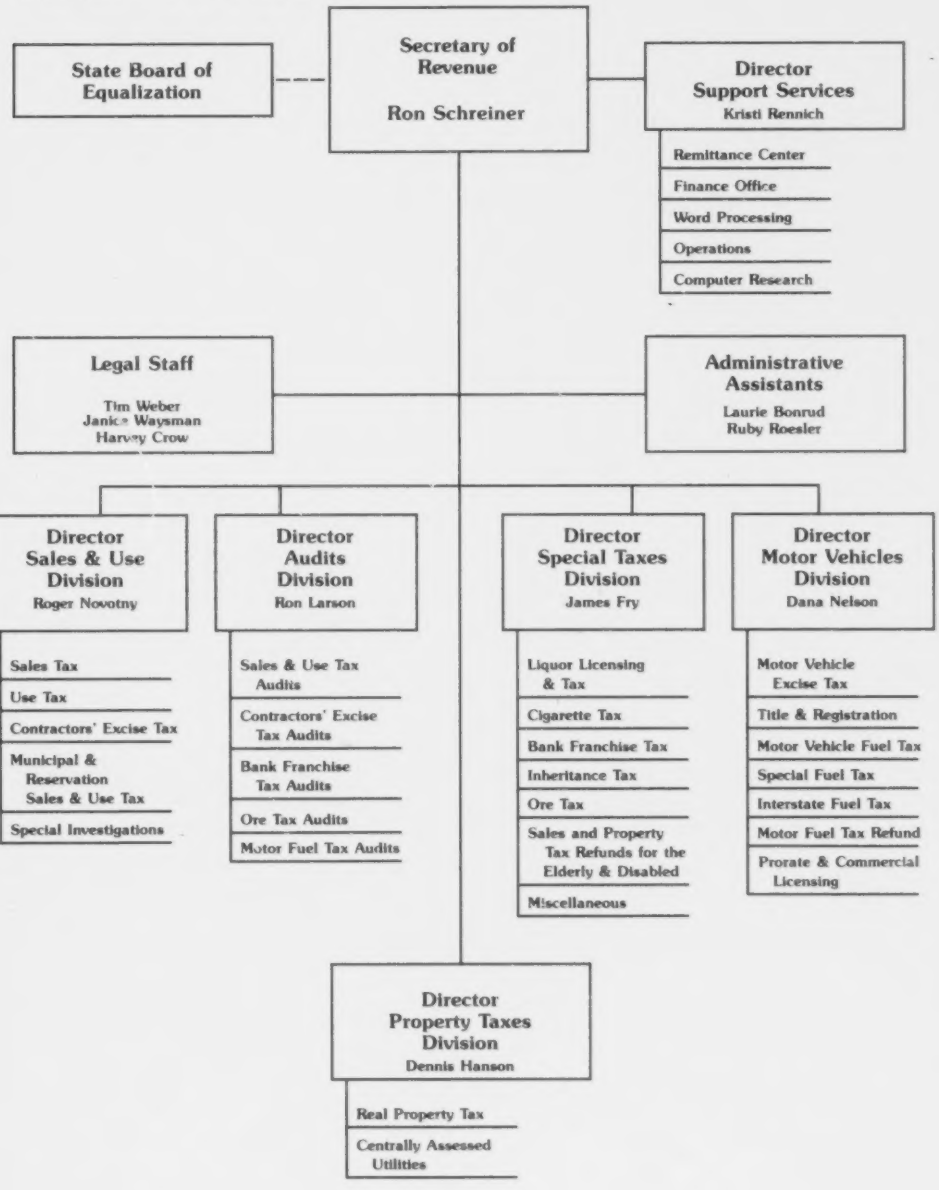
Ten-year look at total motor fuel refunds.



Departmental Overview

Total administrative costs for the Department of Revenue during fiscal year 1987 were $5,763,417. Of these costs, $3,186,506 were General Fund dollars, and $2,576,911 were Other funds.

The Department is organized into five divisions and the Office of the Secretary. During fiscal year 1987 there were 127 full-time employees.



Goals

It is the responsibility of the Department to . . .

- collect, deposit and distribute the revenues which form the financial base for state agencies, thus providing services to benefit South Dakota citizens;
- enforce the revenue statutes of the state;
- encourage voluntary compliance through written information and increased taxpayer service;
- use all available resources of the Department to serve, assist, and educate South Dakota citizens with respect to the tax laws, and manage tax programs effectively and efficiently.

Legal Services

Legal Services conducts administrative hearings, provides legal advice to the Department, assists in the drafting of proposed legislation, and handles court litigation that involves the Department.

Support Services

Support Services provides internal support to the five divisions. Services provided include recording and depositing of all incoming revenues, maintenance of computer files, accounting of all the physical assets of the Department, recording of Department financial transactions including all budgetary data, and the general insurance of fiscal responsibility within the Department. The Remittance Center, located in Sioux Falls, processes the revenues and returns for the Department as well as for other agencies.

Monies processed at the Remittance Center are deposited in the bank on the same day of receipt by 8:00 a.m., thereby earning a full day's interest.

Fiscal Year 1987 - Remittance Center

Dollars processed for Department of Revenue	$410,598,610
Dollars processed for other agencies*	30,028,677
Total dollars processed	$440,627,287
Total documents processed	248,996

**Other agencies include Division of Insurance; Department of Game, Fish & Parks; Social Services; Health; Water and Natural Resources; Charities & Corrections; and the Unified Judicial System.*